Finance Committee 2015-2016
Minutes (2015.08.25)

Committee Members

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Committee Mission:
The Finance Committee investigates and reports to the Faculty Senate on relevant financial matters of the university.

Summary
The Finance Committee used this year’s calendar of meetings to focus on learning about the financial structures, processes, and budgets through direct interviews with administrators from multiple levels. As a committee, there was only one hold-over from the 2014-2015 Finance Committee and one other member with prior experience on the Finance Committee. Through this process of discovery, the committee believes that a common theme has emerged: there is a need for increased transparency. This seems to be recognized as a need at the University level as efforts are underway to increase the budgetary and financial decision making processes to the Board of Trustees. While increased transparency “up” is needed, the committee believes that there should be more concerted efforts to increase the transparency at the lower levels. This annual report does not attempt to recapture all notes and discussions from the past year. Rather it is intended to focus on the lessons learned and offer a plan of charges for the 2016-2017 Finance Committee.

With whom did we speak?
- September 22, 2015: Committee (four members) met with Provost (Robert Jones)
- October 20, 2015: Committee (four members) met with Associate Vice Provost of Finance (Frances Kennedy)
- November 24, 2015: Committee (five members) met with College of Arts, Architecture, and Humanities Dean (Rick Goodstein)
- December 1, 2015: Committee (three members) met with Provost (Robert Jones)
- March 14, 2016: Committee (five members) met with Vice President of PSA (George Askew)
What did we learn?

As noted, our goal this year was to develop a deeper understanding of the financial situation and processes within Clemson University. The main theme that emerged from the discussions and interviews with administrators is that there is a need for increased transparency, not just upwards to the Board of Trustees but also horizontally to peers at the same level and downwards to the faculty. This is placed in the context of a complete organizational realignment of colleges within the university.

The reorganization of colleges has created an opportunity for the university to reevaluate and redefine the budgeting processes. Specifically, the University is working towards a more Responsibility Centered Management approach to alignment of funds, rather than the current Historical Budgeting practices. It appears that Clemson has recently limited the amount of discretionary funds released to the departments and colleges, but rather requests were entertained through the Chief Financial Officer’s Office. The Provost is looking to change this by placing the available monies in the hands of colleges and departments with the expectation that they take responsibility for their own programming.

While this is the direction and goal, the university is focused on defining how the budgets will operate and understand the costs of the reorganization now that the decision has been made to restructure. Thus, the overall budgeting philosophy is in the early planning phases and there are no concrete details made available to the committee. While details are not available, promises were made repeatedly by the Provost and the Associate Vice Provost that individual units (departments) will not lose money in the first two years as they will maintain a historical budget for planning for the immediate next two years. The historical horizon used will be approximately five years to have a better understanding of sustained program delivery.

The Committee also learned that there are differences in approaches to how Deans allocate monies in their colleges. For instance, CAFLS uses a shared budgeting practice with all department chairs meeting to distribute the allocated funds each year. Part of the formula used in CAFLS includes student credit hours delivered in each program. In CAAH the approach is more of historical; units are provided the same money (or distribution percentage) as they have received in the past. In both situations the colleges have expressed frustration at being underfunded. Thus, the deans have focused on encouraging faculty and departments to pursue entrepreneurial sources (on-line courses, summer courses, workshops, etc.). At all levels, there was an apparent philosophy of “hand’s off” management; allowing the units to develop their own budgets and exploit their own entrepreneurial opportunities. This freedom comes with the recognition that the units are responsible for complete delivery within the confines of the budgets provided.

A committee observation/recommendation made early in the year that administrators (and staff) receive some formalized and consistent training on budget planning and reporting seems to be accepted as the deans now are expected to provide quarterly reports to the Board of Trustees in a consistent and concise format. This reinforces the principle of transparency, but it is only currently directed upwards. In no instances did the Committee hear that the faculty have been consulted on budget planning or how exactly the budgets will be aligned with strategic plans at all levels.
What might be done next year?
The Committee recommends that the 2016-2017 Senate Finance Committee adopt the theme of: Increasing Transparency. With this theme, discussions and input from multiple levels of administration and faculty participation is required. The question could be posed as: How can we create a culture of transparency? What will it take? As initial first steps to foster transparency, the Committee has identified several reports that should be requested, reviewed, and discussed within the committee:

- Dean Budget Reports: As the Deans are expected to provide quarterly reports on a rotating basis to the Board of Trustees, the Committee requests that the Deans provide and present these same reports to the Finance Committee.
- Enrollment Growth Plan Report: the Committee has been told that growth is the approach that will be used to expand the resources available to Colleges and Units. However, no concrete detailed budget analysis has been presented to explain the revenue increases from additional tuitions or the additional costs associated with these increased enrollments. Further, it does not appear that the faculty are directly involved in this enrollment growth plan.
- Comparative Internal Study of Fund Distribution: Two types of revenues are included in most budgets at the College and Unit levels (discretionary funds allocated from the University and entrepreneurial funds generated by the College/Unit). The distribution and “taxation” on these monies are not clear or, apparently, consistently applied. For instance, the distribution formulae for the monies collected through summer courses is not clear and the release to the units and colleges is not regular. Another example where distribution of the entrepreneurial funds includes the release of tuition monies generated through the “innovation campuses”. It is not clear if there is a university wide policy, or even if this is required.
- Historical Trends on Salaries: Expanding on historical issues studied within the Finance Committee, it is requested that a ten year window on historical trends for salaries based on rank, unit, and demographics for faculty, lecturers, staff, graduate students (GGA, GRA, GLA, GTA, GTR), and work study be generated and shared with the Committee.
- Restructuring True Cost Report: Finally, the Committee believes that it is critical that the true cost of restructuring be reported. This true cost should include the cost of adding new administrators, administrator staffs, and rebranding. The anticipated cost savings from shared resources should be detailed and evidence of this savings provided.